

LOL-HECO-IR-9

Ref: "The question is not really whether HECO should pursue cost effective DSM and CHP programs, or add cost effective renewable resources, or maintain and improve the reliability of our transmission system. HECO should pursue all of these objectives." (HECO Application, pages 40-41)

Question(s):

- a. Has HECO and its subsidiaries signed Power Purchase Agreements (PPAs) with real renewable energy producers (solar, wind, small hydroelectric, biomass)?
- b. Have any of the contracts (excluding H-POWER) been at or above the utilities avoided costs?

HECO Response:

- a. HECO does not know what the term "real renewable energy producers" mean. HECO and its subsidiaries Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO"), have signed many PPAs with renewable energy producers. Currently, HECO, HELCO, and MECO purchase power from the following renewable energy producers:

HECO: H-POWER

HELCO: Puna Geothermal Venture; Hawi Agricultural and Energy Corp.; Apollo Energy Corporation; Wailuku River Hydro; and numerous renewable energy producers whose production facilities are less than 100 kW. Please note that a PPA between HELCO and Hawi Renewable Development ("HRD") was recently approved by the PUC.

MECO: Hawaiian Commercial & Sugar

Please note that other PPAs with renewable energy producers have been terminated, mostly at the request of the renewable energy producers when they decided not to continue in the

energy production business.

- b. Yes. A number of contracts (excluding H-POWER's contract) that HECO and its subsidiaries have negotiated contain minimum energy payment rates. For example, the following contracts with renewable energy producers in place today have minimum energy purchase rates:

HECO: H-POWER

HELCO: Puna Geothermal Venture, Hawi Agricultural & Energy Corp., Wailuku River Hydro (Apollo Energy Corporation's contract had a minimum purchase rate provision, but pursuant to the terms of that contract, the provision is no longer in effect)

MECO: Hawaiian Commercial & Sugar.

The effect of the minimum energy payment rates has been to cause HECO and its subsidiaries to pay more than avoided energy costs when these costs are below the minimum energy payment rates.